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C O N F I D E N T I A L ASUNCION 001027

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STATE FOR WHA/BSC, INL/LP (JIM HIDES), AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, SEPTEMBER
29 - OCTOBER 6, 2006

Classified By: DCM Michael J. Fitzpatrick; Reasons: 1.4(b),(d).

11. (U) SUMMARY
-- Congressional Leader Indicted
-- Taking A Bite Out Of Crime
-- TIP: Promoting Interconnectivity
-- The Queen of Cosmic Peace Visits Asuncion

CONGRESSIONAL LEADER INDICTED

12. (C) Paraguay's anti-corruption prosecutor has picked a fight he cannot win. Arnaldo Giuzzio, Chief of the Anticorruption Unit in the Attorney General's Office, indicted National Telecommunications Commission (Conatel) President Omar Ramos Llano and his predecessor -- and current President of the House of Deputies -- Victor Alcides Bogado Gonzalez (plus six others) on October 4. The key charge: defrauding Conatel of over three million dollars in the purchase of equipment when the money really ended up in Grand Cayman Islands bank accounts. Giuzzio asked the House of Deputies to strip Bogado of his congressional immunity so he can be sent to prison during the investigation. Bogado is considered part of President Duarte's inner circle and was a major fundraiser for the President's 2002-2003 campaign (the timeframe Bogado is alleged to have committed the fraud). While Vice-President Castiglioni called on Bogado to give up his congressional immunity, several of his supporters suggested political motivations were driving this case.

13. (C) Giuzzio is known for his high-profile indictments but, like most here, he has been unable to produce few high-level corruption convictions. President Duarte has publicly blasted Giuzzio, accusing him of (unspecified) prosecutorial misconduct and abuse of power. Duarte has also criticized this Embassy discussing Giuzzio in a meeting with opposition members (including Bogado's Senate counterpart), claiming the USG was interfering in the internal affairs of Paraguay. USAID has been very active in judicial reform and is in the process of conducting a survey of the anti-crime and anti-corruption prosecutions since 2001. This report, due out in November, will document cases opened, where they are in the investigation or trial, and/or the number, and

results, of any cases resolved. In the meantime, Bogado has relinquished his immunity -- but the betting is that Fiscal Giuzzio will not have his five-year contract renewed when it comes up for consideration in coming days.

TAKING A BITE OUT OF CRIME

¶4. (U) The National Anti-Narcotics Secretariat's (SENAD) Canine Unit arrested Hugo Israel Benitez Sandoval (23) and Maria Jose Benitez Sandoval (25) in Asuncion's Airport for attempting to traffic cocaine on September 30. SENAD agents captured the Benitez siblings upon discovering that their water thermos contained 1.6 kilos of cocaine hidden within the walls of the thermos. (NOTE: It is customary for Paraguayans to carry water thermoses, containing their traditional and popular "Terere" drink. END NOTE). COMMENT: This seizure is further testimony of SENAD's effectiveness as an institution and represents a return on our investment in its canine program. Separately, SENAD has had great success in the course of 2006 in arresting a record number of drug traffickers and seizing significant quantities of drugs and weapons. END COMMENT.

TIP: PROMOTING INTERCONNECTIVITY

¶5. (U) PolOff and INL Officer met with Information Technology Consultant, Gustavo Cortese, and 3 GOP officials from the TIP Inter-Agency Roundtable October 4 to discuss plans to establish a database to monitor cases. This electronic database will be designed to enable the Attorney General's Office to gather more comprehensive data on trafficking cases and monitor more effectively the progress of on-going criminal cases. Representatives from the Secretariat of Women, the Secretariat of Repatriations, the Secretariat of Children and Adolescents, and the Foreign Ministry currently

transfer information to the AG's Office by messenger. Each of the agencies represented were eager to see this project move forward. Prosecutor Teresa Martinez expressed her appreciation for the Embassy's initiative as she was confident it would strengthen her ability to prosecute cases. Under the present plan, Post projects having a workable system in place by year's end.

THE QUEEN OF COSMIC PEACE VISITS ASUNCION

¶6. (U) The Unification Church's Universal Peace Federation of Paraguay organized a rally under the banner, "The Victorious Liberation of the Homeland for Cosmic Peace in Heaven and Earth," October 3 at the Crowne Plaza Hotel. More than 150 guests attended the rally and banquet, including Lilian Samaniego, the Colorado Party Women's Commission Leader, who spoke about peace and family. Dr. Hak Ja Han Moon, wife of Unification Church leader Rev. Sun Myung Moon, spoke to the participants for more than an hour about "God's Ideal Family and the Kingdom of Peace." The celebration included an induction ceremony for 6 new Paraguayan Ambassadors of Peace. (NOTE: Reverend Moon and his wife refer to themselves as the "True Parents of all Humanity." Organizers at the event PolOff attended ran a video of a ceremony at which the Reverend Moon and his wife were crowned the "King and Queen of the Peace Kingdom" in front of the Dirksen U.S. Senate Office Building in 2004. During Dr. Moon's visit, the Unification Church's subsidiary, Victoria S.A. reiterated its offer of 10,000 hectares to avoid the expropriation of 52,000 hectares previously seized in Puerto Casado. By offering the land to the government, Post believes that the Moon Church is trying to strike a deal with the government -- take only 10,000 hectares legally, and the Church won't insist on the compensation it is otherwise legally entitled to claim for the expropriation of 52,000 hectares. END NOTE).

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